

Message Text

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ACTION SS-25

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TO SECSTATE WASHDC 4985
INFO AMEMBASSY DAMASCUS

C O N F I D E N T I A L CAIRO 9103

EXDIS

E.O. 11652: GDS
TAGS: PFOR, EG, US
SUBJECT: ARAB BOYCOTT: FORD

REF: (A) STATE 162211, (B) CAIRO 8982

1. WHEN WITH FAHMY IN ALEXANDRIA, JULY 5, I DREW HIS ATTENTION TO MAHGOUB'S UNHELPFUL STATEMENTS ON FORD AND COCA-COLA. I RECALLED GOE'S EFFORTS TO GET BOYCOTT LIFTED ON THESE TWO FIRMS AND HIS EARLIER ASSURANCES TO ME THAT MAHGOUB COULD BE CONTROLLED. FAHMY INSISTED MAHGOUB SHOULD BE IGNORED. WHEN EGYPT WANTS TO GO AHEAD, IT WILL DO SO.

2. THEN, HOWEVER, FAHMY LAUNCHED INTO A STRONG ATTACK ON THE FORD RPOJECT. HE HAD BEEN INFORMED BY THE PRIMIN THAT FORD INTENDS TO INVEST ONLY \$1 MILLION OF ITS OWN MONEY. THE REST WILL HAVE TO BE GOTTEN FROM WESTERN OR ARAB SOURCES. THERE HAD EVEN BEEN SUGGESTIONS THAT GOE WAS EXPECTED TO OBTAIN THE ADDITIONAL ARAB CAPITAL. SUCH A CONCEPT WAS NONSENSICAL. GOE HAD INDEED UNDERTAKEN TO GET FORD OFF THE BOYCOTT, BUT IT CAN HARDLY BE EXPECTED TO INCUR THE POLITICAL RISKS OF LEADING SUCH AN ACTION FOR A \$1 MILLION FORD INVESTMENT AND THE SMALL FORD PLANT ALREADY HERE. GOE WILL LOOK FOOLISH DOING SO. MOREOVER, IF OTHER ARAB COUNTRIES ARE IN FACT INTERESTED

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IN HAVING FORD PROJECT, AS FORD PEOPLE TOLD EGYPTIANS,

GETTING ARAB CAPITAL FOR A PROJECT IN EGYPT IS
GOING TO BE DIFFICULT.

3. HE, FAHMY, HAD THEREFORE ORDERED THE PROJECT
"STOPPED". THE SCHEDULED JUNE 6 AL SPECIAL COMMITTEE
MEETING IN DAMASCUS HAD NOT BEEN HELD BECAUSE GOE
REFUSED TO SEND A REPRESENTATIVE IN VIEW OF THE BAD
RELATIONS BETWEEN EGYPT AND SYRIA AT THAT TIME. IF
GOE IS TO PUSH THE FORD BOYCOTT ISSUE, FORD MUST COME
IN WITH AN INVESTMENT OF ITS OWN OF \$300 MILLION.

4. I TOLD HIM ABOUT TECHNICAL TALKS WHICH, AT EGYPTIAN
INSISTENCE, HAD FOCUSED ON INLAND PROJECT.
RECENTLY RULES HAVE BEEN CHANGED IN THE MIDDLE OF THE
GAME AND GOE WANTS FREE ZONE PROJECT. FAHMY ARGUED
THAT SADAT AND HE HAD ALWAYS, FOR POLITICAL REASONS, HAD
IN MIND A FREE ZONE PROJECT. THIS WOULD EASE THE BOYCOTT
PROBLE. HE COULD NOT UNDERSTAND HOW "THE IDIOTS ON
THE TECHNICAL COMMITTEE" COULD HAVE SUGGESTED OTHERWISE.

5. COMMENT: FOR THE FIRST TIME FAHMY WAS NEGATIVE ON
THE FORD PROJECT. HIS GROUNDS ARE WHAT HE REGARDS
AS AN INADEQUATE EQUITY INVESTMENT ON THE PART OF
FORD IN THE PROPOSED PROJECT. HIS ARGUMENT IS THAT SO
SMALL AN INVESTMENT IS NOT COMMENSURATE WITH THE
POLITICAL RISKS INVOLVED IN TRYING TO GET THE BOYCOTT
LIFTED. THE \$300 MILLION FIGURE HE DREW OUT OF THE AIR
AND SHOULD NOT BE TAKEN TO MEAN ANYTHING MORE THAN
GOE'S INSTANCE FORD MAKE A SUBSTANTIALLY LARGER
INVESTMENT IN PROJECT THAN COMPANY NOW CONTEMPLATES.
NOTHING WHATSOEVER WAS SAID ABOUT THE MATTER OF WAIVING
PROVISIONS OF LAW 43. FORD REPRESENTATIVES SHOULD
EXPECT TO BE HIT ON THIS MATTER WHEN THEY ARRIVE. EILTS

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